

State of Texas

County of Brazoria

City of Freeport

BE IT REMEMBERED, that the City Council of Freeport, Texas met on Tuesday May 26, 2022 at 6:00 p.m. at the Freeport Police Department, Municipal Court Room, 430 North Brazosport Boulevard, Freeport Texas for the purpose of considering the following agenda items:

City Council:

- Mayor Brooks Bass
- Councilman Jeff Pena
- Councilman Jerry Cain
- Councilman Mario Muraira
- Councilman Troy Brimage

Staff:

- Tim Kelty, City Manager
- Betty Wells, City Secretary
- Cathy Ezell, Finance Director
- Clarisa Molina, Administrative Assistant

Visitors:

Melanie Oldham	George Matamoros
Sam Reyna	Ruben Renobato
Kenny Hayes	Tommy Pearson
Julian Arrerelo	Elliott Hughes
Marlin Lincoln	

Call to order.

Mayor Bass, called the meeting to order at 6:00 p.m.

INVOCATION AND PLEDGE OF ALLEGIANCE:

Invocation and Pledge was led by Mayor Bass

COUNCIL REGULAR AGENDA:

Mayor Bass opened the Public Hearing at 6:04 PM

Public Hearing on a request for a Tax abatement from Volkswagon Group of America (VWGoA) located in Reinvestment Zone 2022-01, City of Freeport located within the boundaries of the city.

City Manager Tim Kelty said this is the project that has been talked about with the Council and EDC for the past few months in Executive Session. He said Volkswagen of America is planning to make a large investment, on a piece of property on the South Side of Hwy 36. He said two large buildings will be constructed to work on the vehicles that will be coming into the City by rail and ship from Europe and Mexico. The project will result in \$28.5 million in new taxable assessed value and result in 260 to 300

direct and indirect jobs. 113 of those jobs would be directly located at VWGoA site. PRP KDC Freeport Development, LLC is the developer and will be the ones actually leasing the land from the Port and subleasing Volkswagen. Mr. Kelty said they are requesting a Tax Abatement from the City. He said EDC has recommended a 100% Abatement over 7 years.

Elliott Hughes, Port Manager of Volkswagen Group of America was present at the meeting he offered information, and answered the following questions.

Mayor Bass asked why a Tax Abatement? Mr. Hughes said the project represents a tremendous investment for Volkswagen and tremendous gain for the City, creating the number of jobs proposed, and their investment of \$115 million into the property. Mayor Bass said, he will insist that we put in the agreement that Volkswagen will be contractually prohibited from seeking a tax reduction. Mayor Bass said that he would like to see in the contract the requirement that Volkswagen will be responsible for all the sewer, and water charges, as well as the connection of these services.

Marlin Lincoln asked how do you ship the vehicles out? Mr. Hughes said the facility was primarily for imports and most vehicles will stay in the country, but if we ship out it will be by vessel/boat or rail. Mr. Hughes said what we bring in, the majority will stay.

George Matamoros asked about possible theft that can arise from this, what kind of burden with this have on our PD? Mr. Hughes said security is very important, we will have cameras, and roaming security guards. He said we invest heavily in security and safety.

Billy Toomer asked what kind of jobs will be brought. Will they be company employees, or contractors? Mr. Hughes said a third-party vendor will be the one to doing most of the direct hiring of employees on site..

Melanie Oldham asked if Volkswagen had applied for Abatements from the Port, College, County and School District? Mr. Hughes said he believes they have. Mr. Kelty said the school is not eligible because of the size of the project. Ms. Oldham asked about the largest expense being to stabilizing the ground. He said yes, it'll be around \$70 Million. She asked once the cars are ready to go, what is the percentage to go by rail, and by truck? Mr. Hughes said about 50/50.

Julian Arrelle thanked Volkswagen for coming to the City of Freeport. Will the City increase the taxes? City Manager Tim Kelty said, if they come there will be some additional cost of city services. However, the expected increases in City sales tax revenue both during construction and during the abatement period would more than offset this.

Sam Reyna said let's make this happen.

Councilman Brimage said he agrees with this 100%, and welcomes them with open arms.

Councilman Cain said currently you are using the Port Houston, if this agreement happens will you continue to use that one? Mr. Hughes said we would consolidate two Texas port facilities, Houston and Midlothian, and bring those here, closing those two facilities.

Councilman Muraira said when do you anticipate to begin? Mr. Hughes said he is not 100% positive on this right now. Mr. Kelty said Donald Davidson said a schedule start date of June 2022, and a completion date of December 2023. Councilman Muraira said he thinks we should have received the documents on the agreement being considered sooner. Councilman Muraira asked will the employment have a set

number of how many local City or Brazoria County individuals will be hired? Mr. Hughes said it will be the Vendor that does this, but there is a huge emphasis on hiring local.

Councilman Pena asked if there is a signed contract between the Port and Volkswagen already? Mr. Hughes said he does not know of any contract. Councilman Pena said we are excited to see Volkswagen build, succeed and grow here. But his concern is, we are either putting the cart before the horse, or we are too late coming to the negotiation table? He said we have to negotiate the must haves. Councilman Pena said we should have a document in front of us with the terms between Volkswagen and the Port.

City Manager Tim Kelty said Volkswagen is looking at two other locations, not just Freeport. He said there has been no agreement signed with the Port. Mr. Kelty said this can be approved, with conditions council wants to ask to be included.

George Matamoros said we need to welcome them, he said more jobs, more tax base, more people, and this brings more businesses and the city will grow.

Mayor Bass closed the Public Hearing at 6:50 PM.

Consideration and Possible action on Ordinance No. 2022-2667 An Ordinance approving a tax abatement located in Reinvestment Zone 2022-01, City of Freeport located within the boundaries of the city.

City Manager Tim Kelty presented Ordinance No. 2022-2667 An Ordinance approving a tax abatement agreement with PRP KDC Freeport Development, LLC substantial form located in Reinvestment Zone 2022-01, City of Freeport.

A motion was made by Councilman Brimage, to approve Ordinance No. 2022-2667 An Ordinance approving a tax abatement located in Reinvestment Zone 2022-01, City of Freeport located within the boundaries of the City, seconded by Councilman Cain. With discussion that followed.

Mayor Bass said the Ordinance is exclusive of the Agreement. Mayor Bass said he has no problem with the majority of the Ordinance but he does want things added to the agreement.

Councilman Pena said he wants to make sure this contract is not premature. We need to make sure we know what information the blanks will be filled in with. Mayor Bass said this is our job, we need to make sure we put our terms in. We need to move forward with our terms. We do not need to prolong this.

There was lengthy discussion on the numbers to be filled in on the blank lines of the contract.

Councilman Brimage said this council, minus himself approved Wong's contract with blanks not filled in. He said we need to show Volkswagen we are on board, we can work the details out in the contract.

City Manager said the blank on page 4 (a) of the agreement, he recommended adding within "90 days of Abatement".

Mayor Bass said the blanks on page 6 (f) of the agreement, we should add at "113 total employees in the Zone with a minimum of 14 being permanent", and on page 10 (b) (1) the same number of "113 employees in the Zone, and 14 being permanent" should be added.

Mayor Bass asked what inventory is subject to sales tax? Mr. Hughes says he is not sure. Ms. Ezell said the sales tax will be charged at the point of sale, not at delivery, and the County where the vehicle is sold will receive the sales tax.

Councilman Cain asked when is the effective date of the Abatement? Mr. Kelty said January 1st following the issuance of Certificate of Occupancy. Councilman Cain said so that would mean we need to have the the stated number of employees on payroll. Mr. Kelty said December 31, 2023 is there goal. If they do it by this date, then they will be assessed by January 1, 2024 and their first year of abated tax payment will be 2025.

Mayor Bass said he wants a clean agreement. He said he will not sign an agreement with things being written in. He said on page 9 under letter "O" he would like to have letter "P" added with the following "They should be responsible for all sewer, water, solid waste, under the accepted rate as applied and approved by the City of Freeport". "In addition to all of the necessary connection cost, and they are responsible to all of the permitting fees and all of the active laws". He said he would also like to add in the agreement "No Protesting of the Taxes".

Councilman Pena asked that a percentage of employees be required to be residents of the City of Freeport. Councilman Brimage asked how can a government dictate where a person lives? Mayor Bass said he does not support this.

Mayor Bass said in regards to this agreement he would like to be able to require a percentage of Freeport residents being hired, but will have to figure out if that is possible.

Councilman Pena said it is not out of bounds to be asking for the contingency. He said the negotiation is give or take. He said he would like to recommend having a "show case room". Councilman Pena said that he would like this to be added to the agreement.

Mayor Bass asked if Councilman Brimage would like to amend his motion including the proposed numbers as discussed in the blanks and adding the 4 items to the agreement including, 1) not protesting the assessed value, 2) Volkswagen would be responsible for all Water and Sewer Costs, 3) requirements related to hiring Freeport Residents, and developing the showcase" Councilman Brimage said yes, and Cain Seconded it.

Mayor Bass added reminded Council this is just what we are asking. They could come back and counter the request.

Mayor Bass called the motion to a vote, with all present and voting "Aye" 5-0, council unanimously approved, Ordinance No. 2022-2667 An Ordinance approving a tax abatement located in Reinvestment Zone 2022-01, City of Freeport located within the boundaries of the city.

Mr. Kelty said he would provide council with a clean version of the agreement for them to see before the next meeting.

Adjourn

On a motion by Councilman Brimage, seconded by Councilman Cain, with all present voting "Aye", Mayor Bass adjourned the meeting at 7:57 P.M.



Mayor, Brooks Bass
City of Freeport, Texas



City Secretary, Betty Wells
City of Freeport, Texas